Review of disinvestment policy

†1759. SHRI RAM JETHMALANI:
SHRI LAJPAT RAI:

Will the Minister of DISINVESTMENT be pleased to state:

(a) whether Government's attention has been drawn towards the lecture delivered by the Vice-Chairman of Planning Commission regarding disinvestment in the conference organised jointly by the Indian Council of Social Science Research and Organisation for Economic Cooperation and Development:

(b) if so, Government's reaction in this regard; and

(c) whether Government have taken a decision to review the disinvestment policy?

THE MINISTER OF DISINVESTMENT (SHRI ARUN SHOURIE): (a) Yes, Sir.

(b) and (c) Implementation of the disinvestment programme depends on a variety of market related factors. Moreover, Government does not sell its equity holding in distress. This has resulted in targets for disinvestment not being realised in several years.

There has been improvement in performance of Public Sector Undertakings (PSUs) post-disinvestment. Modern Food Industries (India) Ltd. (MFIL) and Paradeep Phosphates Ltd.(PPL) were loss-making companies prior to disinvestment. Post disinvestment, sales have increased and loss levels have been significantly reduced. Indian Petrochemicals Corporation Ltd. (IPCL) was a profitable company, which was disinvested in June, 2002. During 2002-2003, as reported by the company, there has been a 6% increase in gross turnover and a 90.65% increase in net profit as compared to the same period in the previous year. In Bharat Aluminium Co. Ltd. (BALCO), various operational and input costs have been reduced, the production of hot metal has increased and the new management is considering a substantial increase in the capacity. This indicates that disinvestment of Government equity along with transfer of management control does result in efficiency improvement.

†Original notice of the question was received in Hindi.

Valuation of the PSUs being disinvested is done by professional Advisors who submit valuation reports using internationally reconginsed methodologies to a specially constituted Inter-Ministerial Evaluation Committee. The committee, based on the report of the Advisors, determines the Reserve Price for the equity being disinvested. The actual sale price is determined through a process of competitive bidding and is approved by the Cabinet Committee on Disinvestment on the basis of the recommendations of the Core Group of Secretaries on Disinvestment. The price per share, relative to earnings, realised from Strategic Sale since 1999-2000 has been much higher than in the case of realisation from sale of minority shares during the period 1991-92 to 1999-2000.

The Hon'ble Supreme Court in the Bharat Aluminium Company (BALCO) case has upheld the policy and the procedures for disinvestment. Some issues have arisen in the context of the decision of the Hon'ble Supreme Court in the case of HPCL and BPCL. Various options in this regard are before the Government.

Disinvestment target

1760. SHRI PARMESHWAR KUMAR AGARWALLA: Will the Minister of DISINVESTMENT be pleased to state:

(a) whether it is a fact that there is going to be a serious shortfall in the disinvestment target;

(b) if so, the targets fixed for the current year and the achievement made, so far; and

(c) what steps are being taken to compensate the shortfall in the disinvestment target?

THE MINISTER OF DISINVESTMENT (SHRI ARUN SHOURIE): (a) to (c) As against a budgeted receipt of Rs. 13,200 crore from disinvestment during 2003-04, the actual receipt till November 2003 is Rs. 1335.4 crore. There are apprehensions about meeting the target in the face of serious constraints arising from the Hon'ble Supreme Court's judgment relating to disinvestment of HPCL and BPCL. However, Government is continuing its efforts to maximise the realisation from disinvestment.